

**** E-filed November 19, 2010 ****

NOT FOR CITATION
IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

ACER INC. et al,

No. C08-00877 JF (HRL)

Plaintiffs,

**ORDER DENYING PLAINTIFFS'
MOTION AND ENTERING
PROTECTIVE ORDER**

v.

TECHNOLOGY PROPERTIES LTD., et al,

[Re: Docket No. 195]

Defendants.

BACKGROUND

Plaintiffs Acer, Inc., Acer American, Corp., and Gateway, Inc. (collectively, "Plaintiffs") filed this action against defendant Technology Properties Limited ("TPL") and others for declaratory judgment of non-infringement and invalidity of, among others, United States Patent No. 5,809,336 (the "'336 patent"). Non-party Charles Moore ("Moore") is a named inventor of the '336 patent. In 2002, Moore executed a commercialization agreement with TPL which granted TPL co-ownership (along with Moore) of the '336 patent and obligated Moore to support the commercialization activities of TPL. (Docket No. 205 ("Supp. Leckrone Decl."), Ex. 2.)

In conjunction with his obligations under the commercialization agreement, Moore was orally appointed as Chief Technology officer ("CTO") of IntellaSys, a TPL-related enterprise in the fall of 2005. (Docket No. 208 ("Leckrone Decl."), ¶ 3; Docket No. 206 ("Moore Decl."), ¶¶ 5-6.) He later became the CTO of TPL when IntellaSys was merged into TPL in September 2006.

(Leckrone Decl., ¶ 3; Moore Decl., ¶¶ 5-7.) Moore was the CTO of TPL from September 2006 to January 2009. (Leckrone Decl., ¶ 3; Moore Decl., ¶¶ 5-7.)

From 2006 to 2009, the USPTO conducted three reexamination proceedings of the ‘336 patent. As part of these proceedings, Moore, then TPL’s CTO¹, was interviewed by the United States Patent and Trademark Office (“USPTO”) in August 2008. (Leckrone Decl., ¶ 4; Moore Decl., ¶¶ 7-8.) Shortly thereafter, emails discussing the interview were sent among TPL executives Dan Leckrone, Mac Leckrone, Larry Henneman (a TPL-retained patent attorney at Henneman & Associates, PLC), George Yee (a TPL-retained patent attorney at Townsend and Townsend and Crew LLP (“Townsend”)), other Townsend attorneys, and Moore. (Docket No. 195-2 (“Dhillon Decl.”), Exs. 6, 7.) In one email (file name “mac336.htm”), Yee, Henneman, and Mac Leckrone discuss the attorneys’ impressions of the interview and their conclusions about the patentability of the ‘336 patent’s claims. (Dhillon Decl., Ex. 6.) In a second email (Bates-stamped “Moore0058”), Moore responds to the others’ questions and comments. (Dhillon Decl., Ex. 7.)

Much more recently, Plaintiffs served Moore with a document and deposition subpoena on September 30, 2010. Plaintiffs provided TPL with a copy of the subpoena, so it was on notice of the documents sought. Moore produced responsive documents on October 15 and 18. Inadvertently included within these productions were the two emails discussing Moore’s interview with the USPTO.²

Although Plaintiffs provided TPL with advance notice of the subpoena to Moore, TPL did not object to it or move to quash the subpoena or for a protective order. In fact, TPL did not do anything until October 19 — the day after Moore finished producing the documents — when, after

¹ Moore states in his declaration that “[i]n or about August 2008, while I served as Chief Technology Officer of Intellasis and TPL, one or more of the MMP portfolio patents was the subject of a patent reexamination procedure before the United States Patent and Trademark Office (the ‘PTO’).” (Moore Decl., ¶ 6.)

² Moore states that he “inadvertently included, among the documents and materials I gave to [his counsel], an August 14, 2008 memorandum I sent to the TPL Reexamination Attorneys. My memorandum, which bears the Bates stamp Number ‘MOORE0058,’ was an attorney-client privileged response to a request for information from the TPL Reexamination Attorneys. As such, the memorandum was a privileged documents that should not have been produced in the present litigation, but should have been listed as attorney-client privileged and withheld from production.” (Moore Decl., ¶ 13.) He goes on: “Similarly, a digitally stored file known as ‘MAC336.htm,’ was also inadvertently produced, despite it being a privileged communication by and between the TPL Reexamination Attorneys and TPL in connection with the then-ongoing PTO reexamination process.” (Moore Decl., ¶ 14.)

1 reviewing Moore's production, it notified Plaintiffs via email that the "mac336.htm" and
2 "Moore0058" emails are privileged.

3 Plaintiffs filed the instant motion for the immediate resolution of the parties' dispute over
4 whether these two emails are protected by the attorney-client privilege. (Docket No. 195
5 ("Motion").) TPL filed its opposition brief on October 28 (Docket No. 200 (Opp'n")), and the oral
6 argument was heard on November 2. Plaintiffs have sequestered the two documents in question as
7 required by Rule 26(b)(5)(B) pending this Court's resolution of the dispute.

8 DISCUSSION

9 A. The Emails Are Privileged

10 Despite Plaintiffs' doubt, the two emails in question, "mac336.htm" and "Moore0058," are
11 protected by the attorney- privilege. "The attorney-client privilege protects the confidentiality of
12 communications between attorney and client made for the purpose of obtaining legal advice."
13 *Genentech, Inc. v. U.S. Intern. Trade Com'n.*, 122 F.3d 1409, 1415 (Fed. Cir. 1997) (citing
14 *American Standard Inc. v. Pfizer Inc.*, 828 F.2d 734, 745 (Fed.Cir. 1987)). Here, TPL hired
15 attorneys Henneman and Yee (along with the other Townsend attorneys) in relation to the '336
16 patent reexamination proceedings before the USPTO. Moore, Daniel Leckrone, and Max Leckrone
17 were all executives of TPL in August 2008. As the emails at issue describe confidential
18 conversations between only TPL executives (including Moore) and TPL's attorneys about Moore's
19 USPTO interview in relation to the '336 patent reexamination, these emails are clearly protected by
20 the attorney-client privilege.

21 B. Whether the Emails Should Nevertheless Be Produced

22 Plaintiffs contend that even if the two emails are privileged (which they are), TPL waived its
23 right to assert the attorney-client privilege. It argues that "[w]hile a nonparty may challenge a
24 document subpoena on the grounds of privilege via written objection, a party such as TPL may only
25 challenge the subpoena by moving to quash or modify the subpoena pursuant to FRCP 45(c)(3)(A),
26 or by moving for a protective order pursuant to FRCP 26(c)." (Motion at 6.) Indeed, under Rule 45,
27 a nonparty served with a subpoena may make objections within 14 days after service, or before the
28 time for compliance if it is less than 14 days. FED. R. CIV. P. 45(c)(2)(B). "Only the witness can

1 prevent disclosure by objection. The party to whom the subpoenaed records pertain *cannot* simply
2 object. Rather, a protective order or motion to quash the subpoena is required.” SCHWARZER, ET
3 AL., CAL. PRAC. GUIDE: FED. CIV. PROC. BEFORE TRIAL, § 11:2291 (The Rutter Group 2010)
4 (emphasis in original). Thus, Plaintiffs argue that “the onus was squarely on TPL to either
5 communicate with Moore concerning any privilege issues, or as expressly provided by Rule 45, to
6 diligently seek a protective order to ensure that Moore did not produce any alleged privileged
7 documents.” (Motion at 7.) They say that TPL failed to file such a motion before the date upon
8 which Moore was required to comply with the subpoena, thereby waiving any claim of privilege
9 over Moore’s production. (*Id.* at 6.)

10 TPL does not agree. It contends that it was not on notice that privileged documents might
11 be produced. This was so, it says, for several reasons, namely: (1) Moore was no longer affiliated
12 with TPL; (2) per TPL’s Policy on Use of Electronic Communications, Moore was expected to have
13 returned to TPL all of its material upon his 2009 departure; and (3) Moore was barred from
14 producing any privileged materials without TPL’s express consent pursuant to the
15 commercialization agreement. (Opp’n at 3, 8.) Under these circumstances, it had no basis to move
16 to quash the subpoena prior to production. (*Id.* at 8.)

17 TPL also argues that FRCP 45 allows for the post-production assertion of the attorney-client
18 privilege and does not require that a party so asserting have previously objected or moved to quash
19 on privilege grounds. (*Id.* at 9.) It cites FRCP 45(d)(2)(B), which provides that “[i]f any
20 information produced in response to a subpoena is subject to a claim of privilege or of protection as
21 trial-preparation material, the person making the claim may notify any party that received the
22 information of the claim and the basis for it,” whereupon any dispute over the information can be
23 resolved by a court.

24 While “a nonparty’s failure to timely make objections to a Rule 45 subpoena generally
25 requires the court to find that any objections have been waived, . . . ‘[i]n unusual circumstances and
26 for good cause, . . . the failure to act timely will not bar consideration of objections [to a Rule 45
27 subpoena].’ Courts have found unusual circumstances where, for instance, the subpoena is
28 overbroad on its face and exceeds the bounds of fair discovery and the subpoenaed witness is a non-

1 party acting in good faith.” *Moon v. SCP Pool Corp.*, 232 F.R.D. 633, 636 (C.D. Cal. 2005)
2 (internal citations omitted). Here, the subpoena served upon Moore does not appear to be overly
3 broad or exceed to bounds of fair discovery, and neither Moore nor TPL have made such a claim.
4 *See* Dhillon Decl., Ex. 4. The Court, therefore, does not believe that “unusual circumstances”
5 exception applies.

6 However, “under Rule 26(c), the Court may *sua sponte* grant a protective order for good
7 cause shown.” *McCoy v. Southwest Airlines Co., Inc.*, 211 F.R.D. 381, 385 (C.D. Cal. 2002); *see*
8 *also, Coleman v. Schwarzenegger*, Nos. CIV S-90-0520 LKK JFM P, C01-1351 THE, 2007 WL
9 4276554, at *1 (E.D. Cal. Nov. 29, 2007) (“Under Federal Rule of Civil Procedure 26(c), and in the
10 inherent discretion of a court to manage its own discovery, a court may *sua sponte* enter a protective
11 order for good cause shown. A protective order may include an order that “discovery not be had.”)
12 (internal citations omitted); *Lesal Interiors, Inc. v. Resolution Trust Corp.*, 153 F.R.D. 552, 558 n.4
13 (D.N.J. 1994) (“[U]nder Fed.R.Civ.P. 26(c), and the discretion allocated this court in the
14 management of discovery generally, where a court determined to deny a motion to compel, it may,
15 if circumstances so justify, enter a protective order *sua sponte*. The converse is likewise a
16 possibility.”).

17 In *McCoy*, for example, the court dealt with a similar situation to the one here. In that case,
18 the plaintiffs served a Rule 45 subpoena on a nonparty for documents concerning the defendants.
19 *McCoy*, 211 F.R.D. at 383. Although the defendants objected, they did not move to quash the
20 subpoena or for a protective order, and the nonparty produced documents without objecting at all.
21 *Id.* The court acknowledged that (1) the defendants cannot object to a subpoena directed to a
22 nonparty, (2) a nonparty’s failure to object normally requires the court to find that any objection,
23 including those related to privilege, has been waived, and (3) the subpoena at issue was not
24 overbroad and so the “unusual circumstances” exception did not apply. *Id.* at 385. Instead, the
25 court relied upon Rule 26 and its discretion to consider *sua sponte* granting a protective order. *Id.*
26 After determining that the documents at issue were not privileged (as the defendants had claimed
27 they were), the court decided not to enter a protective order and granted the plaintiffs’ motion to
28 compel. *Id.* at 386-88.

1 But here, the emails are privileged. Given TPL's prompt assertion of the attorney-client
2 privilege once it saw the documents Moore produced and this Court's preference for decisions based
3 on the merits rather than on procedural missteps, the Court believes that good cause has been shown
4 for its *sua sponte* entry of a protective order requiring Plaintiffs to either destroy or return to Moore
5 any copies of the privileged emails they have sequestered.

6 **CONCLUSION**

7 Based on the foregoing, Plaintiffs' motion is DENIED. Plaintiffs shall either destroy or
8 return to Moore any and all copies of the two emails at issue ("mac336.htm" and "Moore0058")
9 within 5 days from the date of this order.

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11 **IT IS SO ORDERED.**

12 Dated: November 19, 2010

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15 HOWARD R. LLOYD
16 UNITED STATES MAGISTRATE JUDGE
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C08-00877 JF (HRL) Notice will be electronically mailed to:

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